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FSD Insights



WHAT DO LOW-INCOME PEOPLE KNOW ABOUT MONEY? Indigenous financial concepts and practices and their implications for financial inclusion

1. INTRODUCTION

Financial inclusion requires the development of financial services that are appropriate and useful to low income people. Much effort towards including low-income clients in the financial sector has been focused on the design of appropriate products and services, delivery channels and marketing. Despite the impressive advances, recent data shows that the gaps are still large: 29% of the adult population uses a bank; 62% have a mobile phone financial service; while 25% use only family, friends, neighbours and secret places to save or borrow.¹

A recent addition to the range of interventions to promote financial inclusion are financial education and literacy programmes intended to teach people about the concepts and practices of the formal financial sector. It is clearly

important to educate people on these concepts and practices, not least from the perspective of consumer protection. However this approach also precipitates a question of its own. Are poor people a blank slate in respect of such concepts and practices? What kinds of indigenous concepts and practices do people actually use in their everyday lives? Indeed, a key strand of the debates about provision of financial services has been the ingenuity and skill with which poor people do in fact manage money.² The emerging concept of financial capability captures the idea that people have money management knowledge, skills, attitudes and behaviours that contribute to their financial wellbeing in a particular social and economic context.³ However the analysis to date has focused on identifying and measuring components of financial capability and much less attention has been paid to the actual terms that people use, how they relate to local concepts and practices of resource management and what they mean in terms of social relationships.

¹ FinAccess National Survey 2013: Profiling developments in financial access and usage in Kenya.

² See, for example, Collins, D., Morduch, J., Rutherford, S. and Ruthven, O. 2009 Portfolios of the Poor: How the World's Poor Live on \$2 a Day, Princeton and Oxford: Princeton University Press.

³ See World Bank 2013 'Measuring financial capability: a new instrument and results from low and middle-income countries', Washington DC: International Bank for Reconstruction and Development/World Bank. Available at: <http://www.finlitedu.org/team-downloads/measurement/measuring-financial-capability-a-new-instrument-and-results-from-low-and-middle-income-countries-summary.pdf>

The following conversation between the teller of a Community Bank in Kitui and an elderly man, who was sent by his group to deposit funds in its account, graphically illustrates that there can be a considerable disconnect between everyday money management and the experience of a formal financial environment.



- Teller:** *Nenge maana kenda na sixty one. Syaile kwithiwa ngili ukumi na nyanya na maana kenda na sixty one. Give me 961/-. It's supposed to be 18,961.*
- Man:** (Giving out KSh 900).
- Teller:** *Ongela maana kenda na sixty one. . . add 961/-.*
- Man:** *Ndisyi maundu aa. I don't know these things.*
- Teller:** *Mbesa syendaa mundu wisene nasyo. Money needs someone who knows about it (. . .)
Nayu withi ku utambite kusign. Now where are you going before signing.*
- Man:** *Ninukite.. I'm going home.*
- Teller:** *Ikae mina undu umwe ndwene nina customer ingi. . . nindi kutwia undu umwe. No, finish one thing. Can't you see I have other customers, I can't keep doing one thing.*
- Man:** *Nisembete vaa. I am running.*
- Teller:** *Sign vaa. Sign here.
Nenda umine. I want you to finish.*
- Man:** *Ndyendete kwikala. I don't like staying.*

* Picture used above is for illustrative purposes only

From this conversation it is obvious that the man was ill at ease with the situation. First, he did not have a clear idea of the total amount of money he needed to deposit nor of the procedure that accompanies the deposit. This was underlined by the teller's reaction, saying "money needs someone who knows about it". With these words she seems to imply that money matters require a person trained in the field. The man's feelings of discomfort with a situation that is foreign to him are not assuaged by this remark, but rather become stronger, as he continues by saying that he is going home. However, his remark is at odds with the Community Bank's expectations. The teller tells him to sign and argues that she cannot spend much more time on him. In her response the business-like quality of their officer-client relationship is brought out with its accompanying expectation of time efficiency. The different assumptions and expectations with respect to the relationship they are engaged in can be seen to diverge dramatically.

Such an example leads to a further question: if the norms and expectations regarding the conduct of such an apparently straightforward encounter to make a deposit diverge so strongly and create such an alienating experience, in what ways do norms and expectations about the actual processes of saving and borrowing create a disjuncture between the formal sector and indigenous experiences? Bridging this divide between every day and formal financial concepts and practices is part of the key to being able to develop more appropriate products and services that will support financial inclusion.

This *Insights* briefing brings together findings from two over-lapping research projects that address this question. Both studies examined indigenous practices of resource exchange through saving, lending and gifts. In the first, research examined the language used for the core financial concepts of saving and borrowing, and explored some of the social and cultural practices that these concepts involved. This was undertaken in Kitui and dealt specifically with Kikamba terminology. While this was a very focused study, it raised issues that resonated with the second study and which therefore have wider relevance. The second study delved in more depth into the nature of the inter-personal transactions involved in financial and other resource transfers in a bid to understand their social dynamics and meaning for those involved, it was undertaken in three areas Mathira, Kitui and Nyamira.

2. VOCABULARIES AND CONCEPTS OF FINANCE

2.1 Saving

Kamba people⁴ in the Kitui area were using two distinct concepts of saving. The first involves an individual or a group "keeping safe" (*kwia*), and the same or another person or entity "looks after that which is kept safe" (*kūsuvia*). The second concept refers to the way in which members of a group "put together" (*kūmbanya*) their resources.

⁴ In this report the term 'Kamba' refers to Kamba people from Kitui area.

Saving as “keeping safe” and “looking after”

Kwia (put, keep (safe)) can be used for any kind of items, e.g. chickens, maize, clothes, money, timber. The verb includes a sense of custodianship: – that is of putting and keeping the item(s) in an appropriate place, so that no harm can come its/their way. Most informants intuitively associated *kwia* with “safe” (*kwia nesa* (lit. keep well)). In everyday practice this concept of *kwia* (keep safe) had a closely connected concept of *kūsuvia* (look after, keep safe). One informant explained that you *kūsuvia* your money when you put (*kwia*) it in the bank. The word *kūsuvia* is equally used to refer to a stage after *kwia* (put, keep (safe)). Thus, when you put (*kwia* (put, keep (safe))) money in the bank you expect the banking staff to take care (*kūsuvia*) that your money remains safe in the bank. The verb *kūsuvia* does not entail an association with value increase, but rather value maintenance and typically includes a sense of future benefit. This was clear from discussions with several informants about the different uses of *kūsuvia*. One expressed that she was very much aware that she had to *kūsuvia* (to take care of) her son. When asked to explain what she meant by this, she argued that she made sure she raised school fees for him so that he could finish his secondary school and be able to get a job that would pay him enough to also take care of her.

Saving as “putting together”

The second concept – *kūmbanya* (put together) – has a strong reference to the end goal, which is a collection that has added value to the separate parts. It can refer to “putting money together” (as an individual as well as a group), but can equally be used in non-financial contexts such as bringing family members together to discuss a family issue, putting livestock together in a pen, collecting grains to make a heap. The saving aspect comes out most vividly in the context of Kamba *ikundi* (financial groups). Group members put together (*kūmbanya*) their (two-)weekly or monthly contributions in the treasury and the members decide which is their common saving goal e.g. lesos, kitchen utensils or chairs. Members indicate that saving in a group context is much more effective than on an individual basis because of the social control that is inherent to a *kikundi* setting. This seems to suggest that a *kikundi* (financial group) is more than a financial institution. Indeed, members generally argue that they are expected to look after each other and to boost the well-being of all members. This type of group solidarity comes out most vividly in the Kikamba term for a merry-go-round (or ROSCA) which is *mukilye* and is literally translated as “the uplifting”. In fact, these expectations are inspired by more general values which are characteristic of group relationships among Kamba: that is, interdependence, belonging and concerted action. Considered against this background *kūmbanya* (put together) means much more than just putting money together, it involves the concerted action of all those who belong to the *kikundi* to improve the well-being of all its members as well as the group as a whole, which at the same time enhances the sense of belonging.



A savings group meeting in Marsabit, northern Kenya.

2.2 Borrowing and lending

Two core concepts were also found in relation to the language of borrowing and lending.

‘Give and return’ – the resource focus

First, the Kamba words for borrow and lend are *kūkova* (borrow) and *kūkovethya* (lend) respectively. Informants from Kitui indicated that these words refer to a give and return arrangement, usually without interest. This is general practice and a wide-spread phenomenon among friends and relatives which is also evident from the research in Mathira, Kitui and Nyamira. Funds lent to friends or relatives rarely require interest to be paid, especially when they are for education, health, or other shocks.

Kūkova (borrow) and *kūkovethya* (lend) generally involve a clear arrangement about the return of the funds. If the borrower fears s/he won’t be able to repay them on the agreed date, the best way to avoid the lender’s disappointment and a negative spin-off on the relationship is by explaining the cause of non-payment before the agreed date. This enables the borrower and the lender to agree on an extension or a different arrangement. Adverse personal circumstances of the borrower may lead to leniency on the part of the lender. Findings on practices of borrowing and lending in Nyamira and Mathira confirm this picture (see page 5).



A cashier at a rural Financial Services Association (FSA) in Kanyangi, eastern Kenya.

'Ask and assist' - the relationship focus

However the Kamba terms that are most commonly used for lending in the Kitui area, particularly in the rural parts, are *kūvoya* (pray, ask for) and *kūtheesya* (assist). These terms highlight an ask and assist arrangement in the presence of a need on the part of the person who borrows. Because of this need, it is necessary to ask the other person in a distinct way. *Kūvoya* (pray, ask for) suggests that a humble request is the appropriate way of entreating the other to give him/her the requested resource. In line with this, the lending part is framed in terms of assisting a person in need.

⁵ However, this is not a 'pure' gift, rather it can be seen as part of a wider conception of resource exchange which Parker Shipton calls a "fiduciary culture". This involves the "entrustment" of resources which produces resulting obligations. These resource exchanges can be found in relation to a wide range of resources including land, animals, goods, as well as money. This reciprocity can change form and meaning in the process and operate across generations. See Shipton, Parker. 2007. *The Nature of Entrustment: Intimacy, Exchange and the Sacred in Africa*. New Haven; Yale University Press

In the case of more intimate relations (e.g. friends) Kamba can express their need of a resource in a more direct way. Using the phrase *unenge* (you please give) or *nenge* (imperative: give), the borrower clearly highlights the open-endedness of the exchange which is already implicit in *kūvoya* and *kūtheesya* (ask and assist). In fact, these two verbs create an ambiguous situation; they could refer to a borrowing and lending arrangement, **with or without** any expectation of return. As a result of this not being explicit, it puts the spotlight on the ability of borrower and lender to maintain their good relations. These will be strengthened or weakened depending on how the interaction is played out by each of them. On the one hand, the situation enables the expression of moral or affective qualities, such as closeness, affection, generosity, and obligation. Equally, the situation may put the relationship under strain if the assumptions of shared norms are breached by their actions.

'Give and return' and 'ask and assist' compared

As the discussion indicated, the focus of these two pairs of words is very different. While the words *kūkova* (borrow) and *kūkovehya* (lend) in the give and return concept highlight the resources involved in the exchange, the verbs *kūvoya* (pray, ask for) and *kūtheesya* (assist) in the ask and assist⁵ concept clearly focuses on the inter-personal relationship and refers to implicit Kamba values and assumptions relating to borrowing and lending. These assumptions are that both lender and borrower trust that their own and the other's actions are motivated by a shared set of norms and values relevant to resource exchange. These shared values are discussed further below.

The 'return'

Verbs used for returning are two: *kūiva* (pay (back)) and *kūtunga* (return). In line with the two sets of verbs used above they also highlight the distinction between the resource focused i.e. *kūiva* (pay (back)), and the relationship focused i.e. *kūtunga* (return). *Kūiva* includes a dimension of returning economic value, while *kūtunga* highlights the activity as one of reciprocation which the use of the term *kūtunga muvea* (literally to return thanks or express thanks) illustrates.

Interest, produce and appreciation

The two distinct Kamba conceptualisations of borrowing and lending arrangements are also reflected in the words for interest: *ūsyao* (produce, interest) and *vaita* (profit, interest). The word *ūsyao* is embedded in general human experiences of production and derived from the verb *kūsyaa*, of which the first meaning is "to give birth"⁶. Literally translated as "that which is given birth", *ūsyao* applies to an array of products, such as the children of a nuclear family, the chicks of a chicken, the fruits of a mango tree, the interest on a borrowed or saved sum of money. The verb *kūsyaa* from which the noun *ūsyao* is derived can equally be used in a financial context and refers to any

⁶ See Mūrisya and Ndūnda 2003. *Kamba-English Dictionary*. Nairobi: Roma Publishers Ltd.

⁷ Note that in English "appreciation" is also used to connote value increase in the context of assets.

type of increase of money on top of the money that is there. By extension this implies that *ūsyao* is not only interest but any addition of money on top of that which a person or a group has. The understanding “addition on top of” relates closely to the original meaning of *ūsyao*, which is produce. Hence the use of this term to mean interest is heavily framed by both socio-economic and socio-emotional associations of the term produce. Its interpretation therefore involves elements related to the variability of the amount involved; the sense of future benefit it entails; as well as experiences of disappointment, shock, stress or contentment with respect to the actual outcome.

Similar characteristics were evident from the wider research. Where a friend or relative borrowed funds for business or a productive purpose, s/he may return them with “something on top” – which is explained as “giving back thanks” which can literally be translated as appreciation (in the emotive sense⁷). This “something on top” is not necessarily small in relation to the amount lent and can depend on the scale of the gain and the gratitude of the borrower. One woman returned a kanga and leso along with the funds to turn them into a dress in appreciation of being helped with pigeon pea seedlings which had produced a very good harvest – these goods being worth about twice the value of the seedlings.

By contrast the term *vaita* (Kisw. *faida* (profit)) highlights economic value, is restricted in its use to the financial domain, and does not have a similar general meaning of addition on top of. While Kamba in the rural area preferred to use the word *ūsyao* in financial contexts, in Kitui town informants would spontaneously use the word *vaita* or *faida* (Kiswahili) to refer to interest paid on loans and received on savings.

Summary: relationships, resources and blurred boundaries

From this we can clearly identify two very differently conceived practices of borrowing and lending: the first focuses on the resources and their economic value. The second is a specific type of interaction between two actors in a relationship of ask and assist which is overlaid with expectations and norms of reciprocity which also involves looking after one another and boosting each other's well-being – in Kikamba referred to as *kūkilya* (uplift) (cf. *mukilye* (MGR)). However, in practice these two types are not so easily distinguished and the language used in everyday life can move between these concepts producing ambiguity and blurred boundaries such that inter-personal exchanges of resources involve both financial concepts and the norms and values of everyday life.

2.3 Shared values: reciprocity, upliftment, belonging and concerted action

It is apparent from the above discussion that there are specific values that are particularly relevant in the context of Kamba conceptualisations of borrowing and lending and saving.

In the context of borrowing and lending, a generally shared value is that of reciprocity – in the sense that the giver may (need to) ask for funds from the borrower in the future. In the Kitui area this reciprocity not only applies to inter-personal resource exchange, but also to exchanges within the *kikundi* (financial group). Members assist a member who is in need, hoping that when they experience hard times they will be assisted too.

This value of reciprocity is also pervasive beyond Kitui. In Nyamira and Mathira the expectation of reciprocity in inter-personal relationships was clearly expressed. For example, when assisting nephews, nieces or other children with school fees, it was explained that they will “help us or somebody else” in future. This response underlines a characteristic aspect of the reciprocity involved which is that it lacks specificity. After all, whether the support will in fact be reciprocated depends on how the child succeeds in education and then in developing their livelihood. Never the less, respondents who had helped relatives with school fees in the past, reported that they were now able to appeal to those they had helped for support with their own children's education, saying “now is the time to....get the benefit”. Indeed, such a reciprocal dimension of assisting was even used to justify support given in very close relationships of parents and children with children frequently referring to past investments in education that parents had made in them.

From the above argument we can therefore infer that reciprocity is a common value in the context of everyday borrowing and lending, and that it generally operates with little specificity and on a time scale that can spread across generations.

The second Kamba ideal or value on which the concept of ask and assist (borrow/lend) as well as putting together (save) are implicitly built is that of uplifting. In fact, uplifting is a much more general value in Kamba society, implying a type of solidarity where one person “boosts” a less well-off person mentally, socially or economically. In many ways, *ikundi* (financial groups) are exemplary platforms for enacting these different aspects of uplifting, as the discussion of “putting together” illustrated. Additionally, it is clear that in the context of a *kikundi* (financial group), uplifting is also embedded in and central to other Kamba values, such as belonging, interdependence and concerted action. In fact, these values are essential conditions for uplifting other members of the group and the group as a whole. The reasoning behind this is that without a feeling of belonging and a sense of interdependence members cannot truly act in concert and therefore will lack the power to increase the well-being of the group or of its members.

The pervasiveness of these shared values in Kamba society and their importance to borrowing, lending and saving as exchanges of resources, suggests that these concepts are likely to have significance in transactions that are also directly financial.

3. RESOURCE EXCHANGE PRACTICES IN THEIR SOCIAL CONTEXT

The second study examined relationships and meanings around resource exchanges that were seen as significant or important to low income rural people in Mathira, Kitui and Nyamira. This research also strongly demonstrated the importance of the relationships involved in assisting others. It similarly demonstrated that boundaries of give and return and ask and assist relationships can be unclear and that the lack of a shared understanding has impacts on the relationship.

Friends and siblings were the most frequently mentioned relationships in which significant or important support had been given or received. Cases of significant support were reported from immediate family such as spouses, parents and children but the emphasis of reporting on siblings and friends suggests that it is particularly meaningful when it comes from friends and siblings because it is less taken for granted. In relation to siblings, this can be understood because relationships with them are often much more varied than those with parents or children, not least because siblings are often numerous and may be geographically scattered. Moreover, these relationships beyond the immediate family are particularly useful as they create connections which diversify sources of support and give access to a wider resource base which can also help to manage idiosyncratic risks and shocks.

3.1 Consolidating friendship through financial support

The exchange of financial support served to develop and consolidate relationships. The open-ended giving and receiving of resources with friends was often explained as being something that was not reckoned even though it could involve some quite significant amounts relative to income:

- A young man had received Kshs 10,000 from a friend to complete the amount he had needed to buy a motorbike and which was not to be refunded. He later paid fees of Kshs 24,000 plus related transport and other costs for the friend to attend college. *"Now when he came to a point of need I also did it. Not looking whether he will give it back or not. . . no I don't even think of it. [Laughing] I have remembered it because you have asked me!"*
- *"He has eaten a lot of my money, I have also eaten a lot of his money. That is just giving each other We help each other."*

It could also involve surprise gifts in the context of relationships that went some way back in time, so underlining and re-affirming the value of a friendship:

- A married man who was working as a church evangelist explains: *"We met in Karatina after a long time since we were in school together. We talked for a while then I told him I needed twenty thousand and he said he would send. He took me to a hotel and we took tea then we parted ways."*

After a while he sent the money. . . . When I asked him, after how long was I to repay the money he just said no, I just gave you that money". He used the funds to buy a TV and radio.

While there is an expectation that support will be given and received from siblings – and for both men and women this mainly meant their brothers – it is also evident that this was not a relationship that was taken for granted:

- *"He came here to my place and heard me telling my child, who was to go to school "the money that I have cannot be enough for you". Then he told me that he would go and sell his cow and add me the money so that my child can go to school. Just as a joke like that, he went, sold it and brought me the money. It was very shocking to me, ten thousand you are given for free?"*

As a result, the receipt of support from a brother led to him being described as a friend. On the other hand, the discourse on support from friends led to the comparison with a brother in that a friend could be someone with whom you "share more than even a brother". This indicates that siblings cannot always be relied on for support and that when they do give it, they demonstrate their position as a friend. In a similar way, friends who consolidate a friendship by offering financial support can become a "real friend" through demonstrating this value materially.

The affective (that is, emotional) aspect of material support was expressed even more overtly by women who described being happy at "being remembered" or the way a gift received via money transfer meant that "I felt that I am loved". They explained the intimacy of assisting or being assisted to deal with a financial problem through a language of adoption: a neighbour who assisted with a soft loan to help a daughter to go for police recruitment "took the daughter as hers"; a woman who wanted to visit a child in school was assisted because "it was like us having the problem".

The risks of friendship

But developing such relationships is not easy or straightforward, it involves taking risks in trusting others to abide by a mutual agreement and the possibility of being disappointed when understandings are not adequately shared.

- A respondent who had lent a friend funds for which a return date had been agreed, was disappointed when the agreement was not kept: *"if it is requesting without paying back, it's ok because you will forget but if it's lending, it might not work as it can kill our relationship. It's like a promise that is not fulfilled. Even the heart to give help dies"*

Alternatively, initial disappointment might involve an adaptation of the relationship to the obligation that has been generated – in the case below from an expectation of give and return to one of give and assist:



A typical retail shop in rural Kenya. Business people (mostly men) appeared to particularly develop lending relationships with their siblings, cousins and friends who were also in business.

- A respondent had guaranteed a friend's loan from Equity. The friend's charcoal store had been broken into, the charcoal stolen and since he could not pay the loan, he ran away. The respondent and his friends paid the money and then went looking for him. Up till now they have not asked him for the money but he sells them charcoal at a discount: *"We don't see any wrong because he sells us charcoal and we are happy that he is coming up. He brought a whole lorry of charcoal. I thought that he would pay us during the time tea farmers were paid bonus but he hasn't. Anyway, we have not asked him and we saw that... it is better if..., you know, when a problem comes is when you go and tell him 'I have a problem now'"*.

Strategically seeking support

It was evident that developing friendships within which financial resources are exchanged can be a very deliberate strategy. The case of one young man illustrates this well:

- A carpenter in his 30s explained how he had borrowed Kshs 5,000 from each of his mother and his sister (who verbally abused him in the process) to lend to a friend who needed Kshs 10,000 to rent land in Narok. He explained that he had done this because he had himself had to go to a moneylender to borrow Ksh 10,000 when he needed it urgently to buy a piece of land and had had to pay Kshs 2,000 for this money. He therefore hoped that this friend would also assist him when he is in need.

This instrumental approach to developing the friendship was more evident among young men and would seem to underline the difficulty they have in accessing either formal institutions or informal groups as sources of support at this stage in their lives.

However the motive of receiving support was clearly not an instrumental one in most cases and it appears that the affective dimension of the relationship remains morally more important. Indeed the motivation of reciprocal support was overtly rejected in some instances:

- *"You don't help because you've been helped and you don't ask for help because you helped... I am happy I just asked them and they gave me"*.

3.2 Domains of relationships and support

There are particular domains in which relationships and support for particular purposes come together:

Business: Business people (mostly men) appeared to particularly develop lending relationships with their siblings, cousins and friends who were also in business. For some these transactions are so frequent that they do not even arrange when the money will be returned, trusting that the person will pay when the other gets paid, usually in the space of days or weeks. Where funds are understood as being used for business, and that someone has this source of income then they are more easily given. Even though these resources are



A staff member of a Farmers SACCO Society provides loan application information to a SACCO member. The way in which relationships were consolidated and appreciated through borrowing was underlined by those who had received multiple loans from financial institutions.

usually given interest-free, it is more likely that “something on top” will be given as a result of the value increase obtained from the business purpose to which they are put.

Multi-dimensional types of support in neighbourly relationships among women: food, essential household items and small amounts of money were frequently exchanged with neighbours and in-laws as a result of patrilocal residence patterns. This occurred both where food was particularly insecure in Kitui, but also in more food secure situations.

Food and hunger: multi-dimensional exchanges among women often involved small amounts of food during the hungry season. When neighbours in Kitui requested food to feed young children, even if someone had only 1kg of maize they would give some of this. Where hunger led to requests for money from more distant relatives with an offer to repay, there were instances where this repayment was strongly rejected. This again underlined how such support from relatives could not be taken for granted but was particularly appreciated when the relationship was confirmed in this way.

Education: support is frequently received from siblings or cousins for children’s education. This ranged from one-off gifts to ongoing support. The latter was especially the case where the children were orphaned. The

reasons given for school fees and related assistance encompassed: first, need i.e. there is no need if the parents can afford it; second, the potential of the child; and, third, the potential for the child to support the giver or others in the future. This is notable in that frequently while a younger person does not have the burden of school fees, rather than saving for their own child’s future fees, the norm is in fact to invest in the education of other children who need the funds at that time. Considering this from an economic point of view the potential returns are likely to be much greater than saving in a bank account, and especially if that child then secures a good job and is able to reciprocate support or connections in future.

Health and other shocks: there was little clear pattern of support here. Indeed there were cases where immediate family did not respond to the need for assistance with medical expenses and cases where a more distant friend did. The rationale for assisting can recognise an understanding of idiosyncratic shocks “you know problems are for everyone, today it’s you, tomorrow it’s me”. While support may be lent even among family then the pressing nature of the situation can lead to a lack of clarity over the nature of the support, or if it is clearly borrowing then the return date is recognised as needing to respond to the circumstances of the borrower and their ability to overcome the problem. Responding to needs created by shocks is also an opportunity to confirm the strength of a relationship.

3.4 Relationships with formal financial service providers

The way in which relationships were consolidated and appreciated through borrowing was underlined by those who had received multiple loans from banks. They spoke in quite dramatic terms about the importance of this support and compared the bank to other close relations who might assist them. One man explains:

- *"The bank has brought me a long way. It is even more than the way brothers could have helped me. The bank has brought me from far till now. It is the bank that helped me move to this place where I am now [a house he had recently built]. No one would have done the same."*

So in a similar way to the above discussion of the way in which brothers become 'real friends' when they actually provide support, the bank's loans catapulted it to the centre of the respondent's social network representing an intimate relationship with affective overtones. A business woman presented bank lending in an even more intimate and emotive metaphor:

- *"It is my mother! ... They help me. You know somebody's mother ... if you breast feed that is your mother. . . So, even if I am oppressed, in interest, it helps me because I know there is no other place where somebody can give me that money."*

These loans are therefore highly valued for the development – "upliftment" (Kiswahili: inua) – that these resources have enabled in the respondent's life – and even where there is seen to be a dimension of "oppression" due to the terms of that lending. Savings groups and merry-go-rounds were often also perceived as uplifting their members and placed at the heart of the respondents social network. This was particularly the case when they delivered money reliably and repeatedly and were seen to be able to help with "something serious". It is therefore the demonstrated reliability and frequency of the bank or group's support to the on-going improvement of their lives that make them particularly valued.

4. CONCLUSIONS

These research findings have revealed concepts and practices underpinning practices of saving and borrowing. It has demonstrated that the terms used for saving and borrowing in Kikamba reveal local concepts of resource exchanges and transactions. This analysis highlights that:

- With respect to saving, there are two dominant local (complimentary) concepts. One is *"keep safe and look after"*; the other is *"put together"*.
- *"Keep safe and look after"* embodies ideas of custodianship and doing this over time involves a sense of maintenance of these resources in ways that ensure future benefit.

- *"Put together"* is associated particularly with saving by members of a group.
- Saving in *"put together"* group relationships are underpinned by values of upliftment, interdependence, belonging, concerted action and reciprocity.
- With respect to borrowing and lending, concepts of *"ask and assist"* are much more used than those of *"give and return"*.
- Ask and assist puts emphasis on the relationship between the borrower and lender, whereas give and return has a focus on the resources involved. The greater use of ask and assist indicates that it is the relationships involved that are paramount.
- Resource exchanges in these ask and assist relationships are underpinned by values of reciprocity and upliftment.
- Value increase as a result of lending is predominantly viewed as produce which is an *"addition on top of"*. Viewed in terms of produce the value increase is associated with similar calculations of future benefit but equally uncertainty and variability regarding that future benefit, and similar experiences of shock, disappointment, stress, joy, or contentment depending on what the outcome actually is.
- Value increase is not expected in ask and assist relationships – especially where the funds are given in the context of education, health or other emergencies.

While the concepts of saving and borrowing have appeared to be fairly distinct above, the importance of the relationships and the values involved suggest a link. The woman who used the term *kūsuvia* (look after, keep safe) in relation to her son's care so that he could also care for her in the future has a connotation of long term development of the resource for future benefit. Lending through ask and assist invokes the value of upliftment and hence has a similar notion of development of the resource in the form of the person receiving the funds. In caring for or looking after a friend or sibling through assisting when they have a need (and sometimes even when they have not actually asked or expressed such a need), the lender is also therefore keeping that person safe with the scope to receive reciprocal benefit in the future. Hence, we can also see a link between borrowing and saving through the concepts of reciprocity and upliftment underpinning these relationships. Nevertheless, there is also ambiguity and many potentially blurred boundaries regarding the assumptions underlying exchanges.

The research has also highlighted the importance of the relationships involved in these exchanges and the values that they embody. It shows how relationships are consolidated and deepened through the giving and receiving of resources. It has shown that:



A loans officer attends to a customer at Kanyangi FSA in eastern Kenya. Financial service providers who can demonstrate their ability to operate with characteristics of shared values, such as reciprocity, upliftment, belonging, interdependence and concerted action are likely to have greater appeal to and loyalty from their clients.

- Relationships with siblings and friends are consolidated and developed through the exchange of resources and the affective or emotional dimension of these predominates.
- Giving out resources is nevertheless risky and the relationship may have to adapt to arrangements that are ambiguous or result in disappointment if values are not shared and conduct breaches the assumptions made.
- Nevertheless, it appears that young men, in particular, strategically develop friendships within which resources are exchanged as a response to their limited access to affordable funds.
- The domain in which the resources are to be used is also important to how the exchange is understood. Resources given in the context of business, education, health, hunger or emergencies, involve different sets of underlying expectations and assumptions regarding the nature and timing of the return.
- When financial service providers lend – especially repeatedly – they fulfil the key features of the dynamic of resource exchange relationships: reciprocity and upliftment.

As a whole, this research therefore suggests some significant differences between the concepts, practices and the values that underlie everyday resource

exchange and those prevalent in the formal financial sector. In particular, we have shown that there are clearly identifiable distinctions between concepts of lending. However we have also pointed out the ambiguity and blurred boundaries of the terrain in which they are practiced. When encountering the formal sector it is therefore likely that low-income people bring their language, concepts, ideologies and values with them.

5. IMPLICATIONS FOR FINANCIAL INCLUSION AND THE FINANCIAL SECTOR

The implications for the financial sector and strategies for financial inclusion are as follows:

First, this research enables formal sector providers to better understand the potential confusions and misunderstandings that they may face in serving low-income people. It shows that they may approach transactions with low income people with very different values and assumptions which are at odds with those of low-income people. This starts to explain why providers' actions may be mis-interpreted and result in disappointment and disillusion.

For example, on the saving side, banks pride themselves in the security of their client deposits. Nevertheless withdrawal charges erode this from the

perspective of clients as the element of 'keeping safe' and value maintenance is damaged when less is ultimately withdrawn. Moreover, in time the element of value return is also eroded by inflation and the negligible interest rates on savings accounts. This contrasts with the way in which value return is expected to be maintained under the concept of *küsuvia* (keep safe, look after) and future benefit is hoped for.

On the borrowing side, it is clear that in contrast to the prevalence of interest free resource exchange in inter-personal relationships, banks are resource focused and engage in give and return rather than ask and assist relationships with their clients.

Second, and more positively, it shows that low-income people are interested in providers with whom they can develop long term relationships. Financial service providers who can demonstrate their ability to operate with characteristics of shared values, such as reciprocity, upliftment, belonging, interdependence and concerted action are likely to have greater appeal to and loyalty from their clients. This evidence shows how material support is a central feature in the development of close relationships with both friends as well as family members. The importance of material support translates to the case where financial institutions provide similarly reliable support which enables people to develop themselves – these relationships too become valued and seen as intimate. This underlines the need for financial institutions to be able to create relationships that are seen to provide a mutual exchange of support. SACCOs and informal groups are financial institutions which have generally provided a clearer dimension of reciprocal support than the banks through the way they respond to people's needs beyond the confines of a purely financial relationship, for example by attendance at funerals and similar functions.

However, reciprocity and upliftment particularly mean finding ways to enable access to loans: without access to borrowing, savings in financial institutions are a one way exchange that does not resonate with the nature of friendship

and mutually supportive and reciprocal relationships, nor with everyday practices in which borrowing and saving are frequently in conjunction. Providers who can make access to small scale loans easy, affordable and flexible are likely to make significant strides in the market.

A further dimension that would respond to indigenous understandings is if loan product design were to respond more closely to the circumstances of the borrowing and the borrower such that relationships are developed and preserved. For example, emergency loan products that respond to shocks may be designed to allow more flexible repayment schedules which respond to the borrower's ability to repay, in particular because shocks frequently also make this more unpredictable.

Third, it may be possible to build on these concepts in order to devise products and services which have greater resonance with local systems of resource exchange and upliftment. For example, a product which involves "money transformation" through which saving is turned into something else of value (eg. household items, or a productive resource (cow, goat etc.) and which is also identified as a joint project of the bank and the customer.

Alternatively, the way in which productive investments produce a return and result in "something on top" resonates with the idea of a return resulting from risk taking rather than interest and may better embrace this local understanding. It chimes more closely with the idea of dividends on equity investments in which risk is taken by the investor, and with the Islamic finance concept of *musharakah* or profit sharing.

Further, it suggests that providers need to communicate the underlying values and assumptions involved in their transactions in their marketing. While price may be important, the values of support, interdependence and upliftment are also important. However, disappointment can result when values are not lived up to and providers have fewer opportunities than friends and relatives to put them right!

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